

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 97-493-E - ORDER NO. 98-124  
FEBRUARY 19, 1998

IN RE: Application of Duke Energy Corporation for ) ORDER  
Authorization under S.C. Code Section 58-27- ) RULING ON  
1300 to Combine Nantahala Power & Light ) APPLICATION OF  
Company and Duke Power, a Division of ) DUKE ENERGY  
Duke Energy Corporation. ) CORPORATION

This matter comes before the Public Service Commission of South Carolina (the "Commission") on the Application of Duke Energy Corporation ("Duke" or the "Company") filed on December 5, 1997 for approval, pursuant to South Carolina Code Section 58-27-1300, from the Commission to combine Duke's wholly owned subsidiary, Nantahala Power & Light Company ("Nantahala"), into Duke's electric operations. Nantahala will then be a division of Duke Power, the division of Duke Energy encompassing its electric operations.

The Commission's Executive Director instructed Duke to publish one time a prepared Notice of Filing in newspapers of general circulation in the affected area. The purpose of the Notice of Filing was to inform interested parties of the Company's Application and of the manner and time in which to file the appropriate pleadings for participation in the proceeding. Duke complied with the instructions and provided the Commission with Affidavit of Publication of the Notice of Filing in the newspaper in

Greenville, S.C. No parties intervened by January 30, 1998, the date by which interested parties were to file to participate in any proceedings.

On February 9, 1998, Duke submitted the testimony of William A. Coley, Group President of Duke's Electric Operation, along with three exhibits in support of the Application.

After review of Duke's Application, testimony, exhibits, and applicable law, the Commission makes the following findings of fact and conclusions of law:

#### **FINDINGS OF FACT**

1. Duke is a corporation duly organized and existing under the laws of the State of North Carolina. It is duly authorized by its Articles of Incorporation to engage in the business of generating, transmitting, distributing, and selling electric power and energy, and in the business of operating water supply systems. It holds a certificate of authority to transact business in the State of South Carolina and is authorized to conduct and carry on business, and is conducting and carrying on the businesses above-mentioned in each of said States. It is a public utility under the laws of South Carolina and in its operations in this State is subject to the jurisdiction of this Commission. The division of Duke responsible for its electric operations is known as "Duke Power".

2. Nantahala was founded in 1929 to operate a public utility providing electric service in the mountainous regions of western North Carolina. Nantahala today serves customers in parts of five (5) western North Carolina counties with power from its own hydroelectric projects in the region, supplemented with the purchases from Duke.<sup>1</sup>

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<sup>1</sup> Nantahala serves customers in the following counties: Cherokee, Graham, Jackson, Macon, and Swain.

Nantahala does not serve any customers in South Carolina. Nantahala is also a public utility under the laws of North Carolina and in its operations in that State is subject to the jurisdiction of the North Carolina Utilities Commission.

3. Duke and Nantahala plan to combine structures of Duke and Nantahala. The transaction is subject to the approval of the Commission. Upon the combination becoming effective, the corporate existence of Nantahala will cease, all of the outstanding shares of Nantahala, each of which is currently owned by Duke, will be canceled, and the corporate existence of Duke will continue. Nantahala will then operate as a division of Duke Power. As a division, Nantahala's customer service and local management are expected to remain substantially the same and Nantahala will continue to dispatch its plants. The Commission notes that Duke's Application was uncontested.

4. Duke submits that it has a proven record demonstrating that it is capable of exercising control of Nantahala in a manner consistent with the public interest. Duke is one of the nation's largest investor-owned electric utilities. Through the Duke Power operations, it delivers electricity to more than 1.8 million retail and wholesale customers within a 20,000 square mile service area in North Carolina and South Carolina. The operations of Nantahala, with approximately 55,000 retail customers, amount to less than 2% of Duke Power's revenues. The combination of Nantahala and Duke serves the interests of Nantahala, Duke, and the customers of the two companies by providing more flexibility in operations and planning and more opportunity to meet the challenges of a changing and increasingly competitive electric utility industry.

5. The combination will not adversely affect Duke's ability to provide electric service to its South Carolina customers. Since 1988, Duke has had control over Nantahala's operations through its ownership and that will continue after the combination.

6. The combination will not adversely affect Duke's resulting financial condition because the results of Nantahala's operations are already combined into Duke's consolidated financial statement.

### **CONCLUSIONS**

1. The Commission concludes that this matter has received due hearing and adequate notice was given to the public.

2. Upon review and study of the Application, testimony and exhibits, and other supporting data, the Commission is of the opinion, and so finds, that the Company is a public utility subject to the jurisdiction of this Commission with respect to its retail rates and services and the combination with Nantahala is justified by the public convenience and necessity.

3. Based on a review of the record the Commission concludes that the proposed combination will not have any adverse effect on Duke's electric rates. Duke's South Carolina retail cost of service is not adversely affected by the transaction, and neither are its jurisdictional revenues or expenses.

4. The combination described herein will not adversely affect Duke's South Carolina retail electric operations or customers. The effect of the combination on Duke's


consolidated financial condition, and on its ability to thrive in a rapidly changing energy environment will be positive and will benefit Duke's South Carolina retail customers.

IT IS, THEREFORE, ORDERED:

1. That Duke Energy Corporation's Application to combine Duke's wholly-owned subsidiary, Nantahala Power & Light Company into Duke's electric operations is approved.

2. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)